Emerson Motors Stock

and Loomis & Riess, who undertake to sell the goods to the public. They have the machinery by which this delicate act of separation is performed. They send display advertising to the They open "demonstration places," where sample Emerson motors and make a profit of \$69 on each car. He multiplied 30,000 by buy the motor, because it is one of only eight or ten that have been built for purposes of exhibition. Only Emerson stock is for

The representations on which the stock is sold are mainly these, quoted from the printed matter:

HOW \$1,000 EARNED \$165,000

Original investors in Hupp Motor Car Company stock earned in seven years for each \$1,000 invested total cash dividends of \$48,160.00 and stock dividends of \$40,000.00, which on book value were worth approximately \$60,000.00. This was the profit from 1908 to 1915. Since that date the resources of the Company have increased to \$6,500,000, or \$165,000 value for each \$1,000 original investment.

YOU have the opportunity NOW of becoming a partner of R. C. Hupp in manufacturing his newest and Greatest Invention, the "EMERSON FOUR," to sell for \$395. This magnificent automobile engineering achievement of Mr. Hupp and his associates in the Emerson Motor Company is the climax of fourteen years of experience in Motor construction. About 9,000 investors, including many successful Business and Professional Men, who are quick to see money-making opportunities, have already become Stockholders in this new enterprise.

STATEMENT BY MR. HUPP.

I can positively build The Emerson "Four" to sell for \$395, the Lowest Price 110 Inch Wheel Base Five Passenger Car in the World, and Make \$69 Profit on Each Car, the Profit on which we figure our dividends.

If you believe me, then you ought to buy stock To-day in the Emerson Motors Co., Inc.

I gave my name to the Hupmobile. I was the Vice-President and General Manager of the Hupp Motor Co. 1 was with the Ford Motor Co, and the Oldsmobile Co, I know how to build good, popular priced cars. I have done it successfully. I am concentrating all my knowledge of The Emerson

Tour," AND YOU KNOW I KNOW HOW. The most successful manufacturer of Motor Cars in the world has proven that a car can be made and sold at a profit for less than \$400, for he has just reduced the price of his

EMERSON PROFITS.

Estimated by Pres. Campbell and Vice-Pres.-Engineer Hupp. The probable profits to THE EMERSON MOTORS CO. luc., for 1917, based on the production of 30,000 cars per annum, after taking into consideration the fluctuating cost of standardized material and after making a liberal allowance for manufacturing, advertising, overhead expenses, marketing, etc., amount to \$69.00 per car. After paying all expenses of every kind, including a 7% dividend fixed charge on the entire issue of Preferred Stock, the estimate of earnings still shows a net profit of \$1,860,000, or sufficient to pay a dividend of 20% per annum on all of the Common Stock, besides setting apart a surplus of

These figures are based on estimates most carefully and painstakingly compiled and prepared by men who know the automobile business and successful pioneers and manufacturers in this great industry. Large as these estimated profits may seem, yet they are comparatively small when measured with other successful Automobile Companies now actively producing.

As the persons styling themselves "investment brokers," notably O. E. Chaney & Co. and Loomis & Riess, sell Emerson Motors Company common stock to the public at \$7 a share, they buy it from Wilson at a private price unknown. He gets it from the Emerson Motors Company for \$1.75 a share. When Wilson bought 270,000 shares from the company at the outset he gave his notes for \$470,000 and left the stock with the company as collateral security for the notes. As fast as he has wanted the stock he has paid off the notes. All of this is to confuse the very simple fact that the people who sell Emerson Motors Company followed us to the door to say that we had better act quickly common stock to the public at \$7 a share buy it from one who toward the opportunity to get in, because the price would positively buys it from the company for \$1.75 per share.

So far this is all about the common stock. There are 300,000 shares (\$3,000,000 par value) of preferred stock, and that is Wilson pays the Emerson Motors Company \$1.75. being sold by the Emerson Motors Company itself at \$10 a share. Each buyer of a share of preferred stock from the company direct altogether the public has put into Emerson Motors Company building contains a power plant, but no equipment for assembling a year at a profit of \$69 a car, as advertised, is contingent upon two receives a certificate of deferred ownership in two shares of com- shares, because nobody knows at what average price the persons or manufacturing motors. That has yet to be provided. mon stock, to be delivered in the future. The Emerson Motors styling themselves investment brokers have sold the stuff they get Company, selling its own preferred stock, employs the same meth- from Wilson. They are selling it now at \$7 a share. They sold Motors Company about the middle of October. On November 7 whether the materials and parts for producing the cars can be ods as those employed by the persons styling themselves "invest- it lower at the start. They have evidently sold above 200,000 the writer was one of two Tribune representatives who by appoint- bought at the prices originally estimated. Is that a fair statement brokers" who sell the common stock. It puts large adver- shares, and if the average has been \$6 a share that is \$1,200,000 ment met T. A. Campbell, the president, and N. F. Wilson, the ment?" we asked. tisements in the newspapers and floats tons of printed matter on from the public. Then there had been sold up to September 30 promoter, in the offices of the company to discuss its affairs. The

the 270,000 shares of common stock with his personal notes and into the shares of the Emerson Motors Company. the persons styling themselves investment brokers, notably O. E. Chaney & Co. and Loomis & Riess, are all intimately, not to say Motors Company. It has rendered a statement of assets and lia- sembled. That was to say, the parts were to be bought from the inextricably, related, and yet by a technique peculiar to all these bilities as of September 30 last as follows: affairs they are strange to each other.

reminded of Wilson's past, its president and all its directors may Wilson's notes still unpaid, for stock at \$1.75 per share. 182,560 produce in this manner 30,000 Emerson Fours a year, beginning to keep control of the company in common stock." cross their hearts and say he has nothing to do with the business. He bought the stock and paid for it, and that is all. Yet he sits in their intimate councils and boasts of the future of Emerson Motors in the first person.

If Wilson is confronted with the misrepresentations practised by the persons styling themselves "investment brokers," he can solemnly say that they are beyond his control. They have bought stock from him and are selling it in their own way. It is disagreeable-in fact, offensive-to his sense of propriety and seemliness, but what can he do? But those styling themselves investment brokers assert that they constitute a syndicate that acts for the Emerson Motors Company to sell its stock, and none can disprove that.

"You know how they are," said Wilson in the course of an interview to be narrated later, referring to people who sell stocks to the public. "They will say anything. We have protested and they have promised to change, but we can't be responsible for that has ever been issued in the world. them any more than you could be responsible for a horse you had sold. A stock salesman gets enthusiastic, and you can't tell etc., \$6,999,000." There is no such thing imaginable as plans, your engines, your bodies, your frames, your springs Company will get into the motor business. Then if, in the motor what he will say.'

the writer was one of two Tribune men who went to the demon- make a balance against the amount of stock outstanding. stration place of O. E. Chaney & Co., at 261 Broadway, to buy some Emerson shares. On the window of the place is painted 'The any Emerson Four." That is the name of the car that is to be. Inside are cash, accounts receivable and tools and patterns. The expla- and have gone right out and told our competitors, who have gone the window on a little bulletin board was a picture of something nation is of course that on that date the Emerson Motors Company to the manufacturers and offered them an advance in price over us. that is never to be, namely:

"First Unit of Emerson Motors Factory, Costing \$250,000, contract for which has been let and which is to be finished about December 12, concrete and glass

Worth What YouPlease interested? We asked what it was. He said it was a "stock proposition," and led us to a table with the air of an optician Now suppose on that date it had been proposed to "Then about to take care of your eyes. Then he proceeded to produce wind the company up. First, the preferred stock holders the illusion. Had we heard of Ford? One share of Ford stock would have had to be paid off in full, and that would other opportunity. We had heard of Hupp? Hupp had designed a car much better than Ford's, as we could see for ourselves, and the Emerson Motors Company could produce it to sell for \$395 are exhibited. A customer who enters one of these places cannot \$69 and derived a profit of 28 per cent in 1917 for Emerson common stock, allowing the full value of all available assets, Motors Common, with a surplus of \$450,000 over. Would we was 66 cents per share. This the stuff sold by persons styling subscribe? We asked why we were asked to subscribe and not to themselves investment brokers at \$7 a share. buy outright. He said a new company could not issue the stock; it could issue only receipts for subscriptions. When all the stock to represent the public's money. Out go at once the \$182,560 of had been subscribed for, then the subscribers would get their stock pay so much down and finish payments in instalments; by the time ment brokers sell the stock to the public and call it from Wilson. certificates. The proposition was that we subscribe for the stock, we had paid for it in full we should have the stock itself. Then we noticed that all the blanks and all the signs around the place referred to "subscriptions."

> we could not buy the stock outright, nor neither did he, clearly. The only reason we could think of was that if people had the very stock in their hands they might sometime be of little faith and try to sell it on the Wall Street curb market. The salesman

> Perhaps we were interested in the car. If that was it, then he had another proposition. If we subscribed for 50 shares at \$7 a share, next year, when they were fully paid for, we could exchange 25 shares for an Emerson Motor and have 25 left for our estate. At \$7 a share 50 shares would be \$350, and half of that would be \$175. Therefore, we should be buying a \$395 Emerson motor car for \$175. We asked him how a \$395 Emerson motor in which the profit was only \$69 could be sold in this way for \$175, and he said the stock would go up enough to make the difference

> We asked if he was sure the motors would be produced. He was sure. He showed us the picture we had seen in the window of the first \$250,000 Emerson plant unit, concrete and glass. It was on Long Island and was nearly finished. Motors would be in process of production there by the end of the year.

> The fact, as we know, was that this plant never had been started and that the idea of it had been abandoned. Instead, an old factory had been bought at Kingston, N. Y.

> It seemed to be taking this salesman too long to transact our business. The head salesman intervened to ask what was the matter. We said we had thought it strange that we couldn't buy stock outright. He said it was better to subscribe, but if anybody wanted to pay for stock in full he could have it. How much did we want? We confronted him with the discrepancy between his statement and that of the first salesman. There was something wrong. We had heard of people who bought stock and never got it. "How much do you want?" he asked again, producing a certificate of stock out of his pocket. We asked how he could do that. Was he the transfer office of the Emerson Motors Company? He put back the stock certificate and said of course not. It would take twenty-four hours to get the stock from the company and deliver it. We pretended to have begun to disbelieve everything and tie up our purse. Thereat he became very anxious. He was bluffing and so were we. At last we said: "Just to make a test of this and see what happens, we will pay down the currency for one share of stock. You say you can get it from the company and deliver it to us in twenty-four hours. Now let's see you do it."

"When you get it, what then?" he asked.

"Then we'll see."

"You mean this is just to see."

He took our money and gave a receipt in full. Then he be advanced to \$8 a share within two weeks.

This stock for which we paid \$7 is the very stock for which

last \$181,040 of preferred stock. Altogether the public has put interview lasted more than three hours. The Emerson Motors Company, N. F. Wilson, who bought between one and one-quarter and one and one-half million dollars

Now let us see how much of this ever reached the Emerson

whom a notes atm unpaid, for stock at \$1.73 per share.	102,300	Inocace u
Accounts receivable	38.342	in 1917, s
Materials, tools and patterns	23,166	Thire
Common stock in Treasury	2 TO STATE OF THE PARTY OF THE	duction of
Plans, specifications, drawings, etc	6.999,000	would hav
Plans, specifications, drawings, etc	94,048	what is ca
Total	8,554,044	profit adv
LIABILITIES		"And
Deposits on automobiles	\$5,161	"Abs
Preferred stock	181,040	"Tha
Common stock		will have t
Excess of assets	1,368,633	are covere
Total	8,554,044	Emerson F

This is one of the strangest statements of assets and liabilities

Observe among the assets "plans, specifications, drawings, specifications and drawings of a motor company worth \$6,999,000. Wilson was right. You cannot. On Monday, November 6th, It is admitted to be a fantastic and arbitrary valuation necessary to

was still intending to enter the motor business.

Disallowing in the above statement of assets only the item of common stock in the treasury and the pleas-

antry of plans, specifications and drawings worth \$6, 999,000, and allowing in full everything else, the avail-Inside was a sample car. A salesman approached. Were we able assets of Emerson Motors Company on September

That would leave for the \$6,999,210 common stock.\$464,524 the stuff." And that is 66 cents per share!

On September 30 the value of Emerson Motors Company

Now let us take only those assets in which it may be supposed Wilson notes. They were received in exchange for common stock and are redeemed only as the persons styling themselves investwho calls it from the company and takes up his notes. The only assets in which the public's money could possibly be represented

We were difficult customers. We did not understand why Bank deposits—the cash itself..................\$307,448 Accounts receivable (includes advances for materials and for advertising and \$7,536 advanced to the Emerson Truck and Tractor Company, which intends to enter the tractor business) Materials, tools and patterns..... Organization and preliminary expenses.....

> We have said that the amount of money put into Emerson Motors Company shares by the public was between one and one-quarter and one and one-half million

vested by the public can be accounted for in the tangible assets of that aside. We have seen the Kingston plant. It is unequipped. the Emerson Motors Company.

30 last, with \$307,448 in cash and \$23,166 in materials, tools and equipment. In short, all the motor producing plant and equippatterns, the Emerson Motors Company was intending to enter the ment of the Emerson Motors Company that we have been able to motor business on the plane of what is called "quantity produc- find would represent a very moderate investment-say, at the outtion," and in 1917 to reach a capacity of 30,000 motor cars a side, \$75,000. That is too high. This is November. You underyear, which would put it among the ten largest automobile pro- take to reach next year a production of 30,000 motors a year. ducing companies in the country.

At the end of September the principal physical evidence of the intention of the Emerson Motors Company to enter the motor ready to begin at Kingston," said Mr. Campbell. "By the middle business was what it called a "temporary factory" in Long Island of spring we ought to be producing 1,000 cars a month." City. This was one leased floor of a fair sized building, equipped with a power lathe and several benches with pipe vises. Eight \$69 a car you have got to produce at the rate of 30,000 a year. workmen were in evidence; also wheels and incomplete parts for What will be the profit per car with production at the rate of perhaps sixteen cars. There were no engines. And there was no 12,000 a year?" other plant. The first \$250,000 glass and concrete unit was still

\$250,000 glass and concrete unit, supposed to be building, was abandoned for the reason that the site selected was near a grave- a lot about the automobile business, and proceeded to instruct yard and a municipal ordinance forbade railroad switching be- us in it. tween 7 a. m. and 7 p. m. Instead, an idle plant was found at Kingston, N. Y., and purchased as it stood. On October 14 T. A. come up to it gradually. And if we were unable to imagine pro-Campbell, president, in a letter to the stockholders of the Emerson Motors Company said:

"The establishment of the Kingston plant does not mean that we propose to abandon the maintenance of a factory near the Metropolitan section of New York. Our temporary factory on Sixth Street, Long Island City, will be retained and continued in full operation and in due course we contemplate enlarging operations at this point. The Kingston plant, however, will soon assume the centre of greatest activities for the Company, enabling us to go ahead with our quantity production plans without delay."

The temporary factory referred to is the leased floor in Long Island City.

The cash investment in the Kingston plant is understood to raise the money. You have to do things as they can be done. · have been approximately \$30,000. The purchase price was some-There is no way of ascertaining definitely how much money what over \$60,000, but there is a mortgage of \$33,000. The ability of the Emerson Motors Company to produce 30,000 cars

We began by stating the Emerson idea, as we understood it, in the following terms:

First, the Emerson car was to be not manufactured but as- You must remember that you can analyze any new thing to pieces. makers of automobile parts and assembled into a car known as the etc., six million nine hundred and ninety-nine thousand dollars?"

in 1917, sell them at \$395 each and make a profit of \$69 per car.

duction of at least 30,000 cars a year. That was to say, output quarter and one and one-half million dollars. would have to be at that rate to give the company the benefit of what is called quantity production and so enable it to make the books, "plans, specifications, drawings, etc., \$6,990,000," and for profit advertised.

'That's correct," said Mr. Campbell.

"And now, is the Emerson Motors Company able to do this?" "Absolutely," said Mr. Campbell.

That means, of course, you are covered on everything you factory building at Kingston, N. Y. will have to buy to produce cars in that quantity," we said. "You are covered on all the parts and materials necessary to assemble the advertised profit of \$69 per car until the public has bound Emerson Fours, sell them for \$395 each and make a profit of \$69 \$450,000 of preferred stock. The inducement to buy preferred

"Absolutely," said Mr. Campbell again.

"May we see the evidence?" "What do you mean by that?"

"The contracts by which you are covered with the makers of and all other things."

must think we are crazy. Do you suppose we are going to show the car to make good in competition with the Ford and others Observe, secondly, the absence from among the assets of you the secrets of our business? Men as fine as you have heard and the risks will begin all over again in new terms. buildings, plant or fixed property. The tangible things that we were going to buy this part there and another part here No, sir. That's our own business.

"But if you are covered it's the biggest asset you have. Why not let it be known? A contract is binding.

"Man alive, what do you think this business is? Do you know anything about the automobile business? Have you ever been in? You'd be a fool to make contracts. Goods ain't sold

"Then what have you got? How are you covered?"

'We've got estimates and prices." "Have you placed the orders, then?"

"We'll take the stuff as we need it. A man quotes us prices on this and on that for a given quantity, and as we need it we order

"But can't he change his price?"

"What of that?" said Mr. Campbell, very impatient, "some things go up and some go down. You make on one what you los on another. But why do you want this information?"

"It's very important," we said. "Since you first advertised that you could produce a car to sell for \$395 and make a profit of \$69 prices have been advancing very fast, especially steel and iron prices. Basic iron products have more than doubled in a year Wages also have been going up. Your profit is governed by the difference between what you pay for parts and materials and what you get for the car. If parts and materials go up, your profit me fall. If you have covered yourself with contracts, then you have made sure of the margin of profit, and that would be a big anet"

'We can do what we say," said Mr. Campbell. "Can't you take my word for it?"

"We have to give our word," we said, "and we can't do that 38.342 unless we see the proof. Show us the estimates if you haven't any 23,166 contracts. Show us the correspondence with the makers of your 94,048 parts and materials."

Mr. Campbell became final. "You have no right to ask for Total\$463,004 that information and we're not going to give it to you. That's set. tled. Now go on to something else.

"If we cannot find the material with which you are going to construct the cars," we said, "then let us consider the facilities you From this it appears that only 331/3 cents of each dollar in- have seen the temporary factory in Long Island City. Let's put except for power. Some men are working about, painting and But the most wonderful part is still to come. On September cleaning up. It isn't a motor plant. It has no motor assembling Where and how? When will the Kingston plant begin?'

When we have invested \$70,000 in machinery we shall be

That is at the rate of 12,000 a year. To get your profit of

"I can't tell you that."

"But there is a rate of production you have to touch before During October several things happened. The idea of the you make any profit at all. What is that rate?"

Mr. Campbell didn't know what that rate was, but he knew

You couldn't jump right in at your maximum. You had to ducing 30,000 Emerson Fours and earning 400 per cent a year on the money actually in the business, that was because we knew so little about it. We had no idea how fast money turned itself over At this point Wilson interrupted with a very frank statement

"This," he said, "is the situation: With the money we have we shall be able by next spring to reach a production of 1,000 cars a month, or at the rate of 12,000 a year. In order to get the profit of \$69 a car we shall have to increase our production to the rate of 30,000 cars a year, and to do that we shall have to raise \$450,000 more money. That is why we are selling preferred stock to the public. We are going to raise it that way. It is harder to do because of the criticism that has been passed on the methods employed in the past to sell Emerson shares. We did not like those methods ourselves, but it was the only way we knew how to

"So now," we said, "we have arrived at a definite place. The things, namely: One, whether \$450,000 more money can be The Tribune began its present investigation of the Emerson raised by the sale of preferred stock to the public, and, two,

"As far as it goes," said Wilson.

How much further could one go?

"I should think you ought in all fairness to say that the management is honest and efficient and is sure it can make good

"What would you say as to 'plans, specifications, drawings. Mr. Wilson grinned. "I guess anybody would know what

Second, that the Emerson Motors Company undertook to that meant," he said. "It might mean that the promoters wanted So there is the Emerson Motors Company, Inc., into the

Third, that the profit of \$69 a car was calculated upon a pro- shares of which the public has already put between one and one-It is controlled by the promoters, who wrote down on the

this drew off a majority of the common stock.

It still intends to enter the motor business.

Its total showing of physical plant and equipment up to No vember I was a leased floor in Long Island City and an unequipped

It cannot reach a production of 30,000 cars a year and set stock at \$10 a share is that two shares of common stock out of the treasury will be assigned to the buyer of each share of preferred but that decreases the value of the common shares the public has already bought.

If the public will put up money enough the Emerson Motor time, parts and materials have not risen prohibitively, it may "Why, man," said Mr. Campbell, showing irritation, "you able to produce an Emerson Four for \$395. Then it will be up

Wilson gets his.

Those styling themselves investment brokers get theirs Only the public can lose.